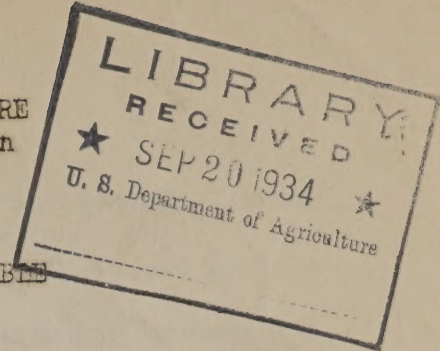


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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.



POSSIBILITIES FOR DEVELOPING A PRACTICABLE

CROP CONTROL PROGRAM IN 1935.*

When representatives of producers set out under the Adjustment Act to deal with the corn-hog production problem a little over a year ago, the main emphasis was on ways and means of reducing production.

Something like an average of 15 million acres in excess of reasonable requirements were being planted to corn and about seven to eight million hogs which formerly had gone abroad in the form of exports of hog products were having to find an outlet at some price in the domestic market. These excesses, as will be recalled, were being reflected in a severe price decline which reduced the corn-hog producers' purchasing power to less than one-half its pre-war level.

Because the production of both corn and hogs a year ago were exceeding effective demand, it became common judgment after considerable discussion that any program of adjustment should deal with both commodities. If hogs only were reduced, there was no assurance that corn acreage would be reduced in proportion. On the contrary, it seemed on the basis of past experience that a reduction in feed supplies through acreage control alone would be more likely to restore balance than dealing with hogs alone. But a reduction in feed production alone would effect an adjustment in hog numbers by a sort of "squeeze" process.

Inasmuch as a rather drastic reduction in hog numbers was necessary to improve the price situation and in view of the fact that an adjustment in feed crops acreage sufficient to force such a reduction would cause sooner

* Presented at Regional Conferences to discuss the agricultural situation held in September, 1934.

or later a price-depressing liquidation of hogs on hand, the Administration, upon the recommendation of producer representatives, arranged to aid farmers in making simultaneous and proportionate adjustments in both hog numbers and corn acreage. First there was the emergency pig and sow marketing program conducted for five weeks during August and September a year ago; next came the supplemental purchases of live hogs and hog products for relief distribution during the late fall and winter months, and finally there was the 1934 corn-hog contract, calling for a reduction on individual farms of at least twenty percent below the 1932-33 average in corn acreage and of 25 percent below the 1932-33 average in numbers of hogs produced for market.

At meetings of corn belt farm leaders with AAA executives and Secretary Wallace in June and again later in the summer, emphasis was laid on the fact that the problem this year is considerably different from what it was a year ago. They pointed out that a substantial reduction in all classes of meat animals will have been made by the end of the year, partly as a result of the farm adjustment programs and partly as a result of liquidation enforced by the drought conditions. They suggested that the emergency or reduction phase of the adjustment program would be passed this year so far as livestock is concerned. It was pointed out then that the task for 1935 seems to be one of correcting certain maladjustments which still remain or which were created by the drought, and then maintaining the balance obtained. While it was not thought feasible to do so for 1934, these farm leaders considered that they might rely more nearly on control of feed grains alone to sustain desirable supply and demand conditions in 1935.

So far as the mechanics of adjustment are concerned, it appears that the job this year can be much simpler than it was a year ago. If the farmers

wish to confine control to feed and leave out livestock there can be fewer administrative details. Moreover, farmers all over the grain and livestock producing area now are organized into production control associations. They have had one year's experience under the corn-hog, wheat and other contracts and are undoubtedly in position to handle with much greater facility any sort of contract this year, and particularly a feed grains contract.

On account of the severity of drought this year, however, and the probable exhaustion of most feed reserves this winter, no doubt some producers may feel that even a feed grains program is not necessary for 1935. Some think, for example, that a return to the 1932-33 corn acreage would not have disastrous consequences, that such a production schedule would be only "normal" and would no more than replenish reserves. But this seems to be overlooking the extent to which adjustment in livestock numbers during the past year to restore balance between supply and demand for livestock products has reduced feed requirements in 1935.

It is true that an area of a little over 100,000,000 acres of corn has been "normal" during the past few years, because it actually took a crop of about that size to feed the livestock on hand. With the reduction of about 30 percent in hog numbers, however, and of between 5 and 10 percent in cattle numbers, a "normal" production of corn now would be in the neighborhood of 2,250,000,000 bushels or about 350,000,000 bushels less than our average total production in past years. Assuming average yields in 1935, a corn land area not exceeding 90,000,000 acres now would be "normal". Or, to put it another way, if American farmers in 1935 should plant to corn an acreage equal to the average of 1932-33, that is, 105,453,000 acres, their production would be more than 15 percent above "normal" in view of the actual livestock requirements

that will exist. If, in addition, the yield per acre should prove to be above average, the lack of balance between feed supplies and livestock numbers would be so great as to cause a very serious disruption in the agricultural adjustment which was so hopefully and successfully begun this year.

Many of the older farmers today will recall the situation which developed in 1895, following the drought year of 1894. In 1894, farmers harvested only about 1,340,000,000 bushels of corn from 69,340,000 acres. In 1895, the year following the drought, corn yields not only went back to normal, but farmers had planted an additional 16,260,000 acres. That is, in response to the drought conditions of the preceding year, they increased corn acreage by about 20 percent.

As a consequence of the increased acreage and the resumption of normal yields per acre, farmers in 1895 harvested 2,311,000,000 bushels of corn. The price, as of December 1, that year was 25 cents per bushel, as compared with a price of 45 cents per bushel the year before. In 1896, farmers again planted a relatively large area to corn and the yield was better than average.

As might have been expected, hog production by 1897 had been greatly stimulated. In those days, an increase in hogs could be diverted into foreign trade channels with comparative ease. Today, with foreign trade at low ebb on account of increased hog production in Europe and vastly more numerous trade restrictions, a much quicker reaction is likely in the price of hogs if farmers let unwarranted increase in feed grains stimulate hog production unduly.

Now farmers of the United States of course will consider it highly desirable to plant an area to feed crops in 1935 that will be sufficient, even under adverse weather conditions, to feed the then existing livestock

population, plus the numbers of new livestock that they deem it advisable to produce by the end of the 1935-36 season. Likewise, they no doubt will regard it as highly desirable that any program they may agree upon should permit cooperating producers, as a group, to build up reasonable reserves of hay and grain feeds. But in their conversations this summer, the corn belt farm leaders thought that the probable tendency, without some sort of a farm control program, would be to exceed this desirable level of production and to set the stage for new losses to agriculture along in 1936 and 1937 because of new excesses of grains and livestock, which may have been allowed to develop in the meantime. These representative spokesmen of the farmers therefore were strongly of the opinion that some kind of a feed grains program in 1935 therefore will be essential.

In these conversations there was also talk of a unified grain program for the future. This contemplated a program which would involve control of all the crops classifying broadly as grains and which are named as "basic" in the Agricultural Adjustment Act. Such crops are corn, wheat, flax, barley, rye, and grain sorghums. A good many people identified with agriculture feel it is already time to shift at once to a broad program which will develop better systems of farming through less intensive use of land, which will exercise some degree of control over all grain crops and which will take into consideration the adaptation of the different regions to the production of various crops and classes of livestock.

Many farmers have suggested that it is not too soon to begin consideration of a unified feed grains-small grains program to run through several years, but there is hardly sufficient time to develop properly a

plan of this sort this year. Certain necessary features of a unified program would have to be worked out in considerable detail before a practicable contract could be made ready. There is the problem, for example, of determining most suitable base periods for the several commodities that would be included. There is the problem of determining equitable rental or reduction payments on contracted acres, based, perhaps, on the yield of the particular crop formerly grown on them. There is the task of calculating the most desirable degree of adjustment for specific crops; undoubtedly, the percentage of adjustment in acreage would not be the same in all cases.

There is the broader problem of determining the volume of production necessary over a period of several years to maintain our own population on an adequate level of consumption for food and clothing. Account would have to be taken of the trends in domestic consumption now under way, of possible future changes in dietary habits, of trends in foreign trade, and of the effects of varying levels of business activity and consumer purchasing power. It would be desirable to provide such flexibility as would encourage balanced systems of farming and not penalize farmers who have already adopted well-balanced production schedules by requiring the same degree of adjustment in all cases.

Even if a satisfactory unified program could be developed this fall, it seems probable that the provisions would have to be considerably modified for the 1935 season in view of the abnormal crop condition created by the drought. All these various factors in the current livestock and feed situation have been talked over in conferences with farm leaders this past summer. Thus far in all these conversations there has not been any great departure from the general suggestion for a grain production adjustment

program in 1935 to include only a one-year program on corn production and that farmers begin planning this fall for a longer-time grain program beginning with the 1936 crop year.

The farm leaders' reasons for considering limitation of adjustment efforts in 1935 to corn alone are worthy of the closest consideration. With the production of feed grains and roughage at an extremely low level this year, it is advisable to encourage as much as possible the fall planting of crops which will provide feed in the form of pasture and roughage during the coming winter, spring and early summer.

Such planting will tend to check the unprecedented market liquidation and low prices of livestock during the fall and winter and thus tend also to prevent extremely small market supplies and extremely high prices of livestock during the following year or two. To the extent that seed can be made available to farmers at a reasonable price, fall plantings of rye, one of the six grains named as basic commodities in the Agricultural Adjustment Act, should be encouraged for this purpose. Increased plantings of barley also should be encouraged.

The need for dealing with wheat under a unified program in 1935, of course, has been obviated by the continuation of the original wheat contract through another year. Farmers have indicated, though, that when and if a unified program is put into effect, it should include wheat. Because much wheat is planted in the fall of the year, beginning in September, any program agreed upon by farmers for 1936 involving wheat, would no doubt have to be ready for the sign-up campaign by about July 1, 1935.

In the case of flax, another basic grain which might be included in a unified program, domestic demand is strong enough that acreage curtail-

ment of this crop in 1935 does not seem advisable. In recent years, the United States has produced only about one-half of its annual requirements in flax seed and fiber. As the flax acreage is a very small percentage of all land in grains, however, the shifting of a very small percentage of the total farm land in this country to the growing of flax could easily disrupt the economic position of this grain. Flax producers, therefore, may want to assure that any unified grain control program that may be developed in the coming months carries provisions to prevent over-expansion of flax acreage.

Of all the grain crops to which production control measures might be applied in 1935, farmers who have talked with us seem pretty well agreed that corn unmistakably is one crop which should be held within certain limitations as to acreage. Corn is our principal feed grain. An increase of only one percent in the acreage of corn is equivalent to an increase of between 10 and 15 percent in barley acreage and of at least five percent in oats acreage, so far as livestock feeding is concerned. In a good year, an acre of corn will produce more feed than an acre of any other grain. Moreover, it is emphasized that practically all of the corn land held out of production this year will be available for planting during 1935 unless farmers agree upon some adjustment program.

The question next arises: What degree of control on planted corn acreage is most desirable, in view of the livestock situation that likely will prevail?

It appears that the hog slaughter in 1934-35 will not exceed 50,000,000 head. Assuming that prospects of feed grain adjustment will keep hog slaughter in 1935-36 at about this same level, the production of corn in this country in 1935 can be about 350,000,000 bushels under the

average of 2,600,000,000 bushels produced during the past two years and still be "normal". At the average yield of 25.6 bushels per acre, approximately 88,000,000 acres or 17,500,000 acres less than were planted on the average in 1932-33 will be sufficient to meet probable corn requirements through the next feeding season. In fact, in view of the smaller supplies of livestock other than hogs, such a supply of corn would provide an opportunity for increasing livestock production somewhat and would enable farmers to replace reserves that will be used for livestock feeding this winter.

There are several reasons, however, why it might not be practicable to attempt to hold corn acreage in 1935 at around 88,000,000 acres. In the first place, financing so extensive an adjustment solely from available sources of revenue would be a problem. Secondly, it seems desirable to allow more ample margins for building up corn reserves in an orderly fashion during the coming crop season. These facts have led recurrently to the suggestion that the equivalent of 200,000,000 bushels or between eight and ten million acres be held out of corn production under a corn rental plan. This might be backed up with arrangements for handling the remainder of at least 150,000,000 bushels under a government corn storage plan to be made available to contract signers a year from this fall.

In the 1934 program, approximately 12,656,000 acres were contracted to the Secretary of Agriculture under the provision which called for a reduction of between 20 and 30 percent in planted corn acreage. This contracted area is slightly larger than the area which it has been suggested might best be held out of production in 1935 by a plan of land rental. The idea thus far has been that a rental contract very similar to the corn rental part of the 1934 corn-hog contract probably would be most satisfactory. If the

interest thus far shown by the farm leaders should be reflected by the rank and file of farmers, and if there were not only interest but also widespread participation in a program built somewhat along these general lines, or on other lines calculated to accomplish equivalent corn adjustment, limiting corn acreage on individual farms to about 80 percent of the 1932-33 average would serve the purpose.

The farmers' spokesmen whom we have consulted so far think that a corn rental plan of this sort for 1935 would have distinct advantages. They emphasize that it would be simple. Cooperating producers could designate the same acres as "contracted" as were so designated this past year. This would eliminate the necessity of new appraisals and measurements. The corn base for each contract would remain the same; State and county quotas already established and complied with, could be retained with only slight adjustments to care for changes in the composition of the total number of contract signers in each area.

Because such a rental plan for 1935 would closely represent a continuation of the corn features of the 1934 corn-hog program, with necessary modifications to allow for drought conditions, county and community committeemen could handle the work of administration with a minimum of effort. Local expenses for conducting the sign-up campaign for handling the contracts and checking compliance probably could be held far below those incurred in 1934 and perhaps at the lowest level possible for administration of any corn program.

As for financing the rental features of the recommended corn control for 1935, it probably would be feasible to provide for a somewhat higher

contracted acreage. Several farmers have argued that in a way it would be more to the interest of all producers to cooperate in preventing 1935 crop production from getting out of hand but it also should be kept in mind that a plan of straight acreage control likely would not include livestock adjustment payments. If it is assumed that about 10,000,000 acres would be designated as "contracted" and that the average estimated yield on these acres would be about 30 bushels (same as in 1934), upwards of \$100,000,000 would be required to meet the disbursements under a corn control plan.

There is a very close relationship between the price of hogs and the price of corn. The hog producer benefits directly when feed supplies are kept in reasonable relationship with hog supplies. The reason for this is that stable corn production means stable corn prices and stable corn prices, in turn, mean stable hog production and hog prices. When feed prices are bumping along the bottom, this is the danger signal that before long the hog grower will have to contend with oversupply and ruinous prices.

Therefore, when we come to the question of financing a program of controlling corn acreage, farm leaders have indicated that in looking for sources of revenue to provide a budget of more than 100 million dollars, it would be inadvisable to rely solely on corn taxes, which would not provide nearly enough money, but that it would be fair to extend the hog processing tax, perhaps at a somewhat lesser rate than that imposed at present.

If farmers wish to include a grain storage feature in the 1935 program that might be financed, as it was this year, through the Commodity Credit Corporation, participating producers might be made eligible for storage loans by including a privilege clause in any acreage contract which the farmers may want offered, on a value basis to be determined and announced about September 1, 1935.

Assuming average yields in 1935 and if the farmers want a storage feature included, storage, under Government seal, could be provided for of as much as 350 million bushels of corn. Any loan program should, of course, be flexible enough to absorb smaller or larger quantities, dependent upon the size of the crop. It would be the aim to provide such flexibility in case producers favor a corn storage section in any program that is developed for 1935.

The loan value of any commodities sealed under a storage program in 1935 probably should be determined on a somewhat different basis from that used in the fall of 1933. In general, the loan value per unit in years of short crops probably should be a moderate proportion of the average market price prevailing at time of sealing and a relatively larger proportion of the average market price prevailing at time of storage in years of surplus production. Such a policy should tend to stabilize feed prices in relation to livestock prices and as a result should tend to stabilize livestock production.

Many farmers writing in to us urge combining the farm storage privilege with a 1935 corn control program, irrespective of the relationship between feed supplies and livestock on their own farms. They point out that the opportunity to borrow on their crop in storage would supplement their financing program and could permit them to take advantage of any increase in the value of the corn which might ensue during the storage period. By setting the loan value at such figure as would tend to stabilize feed prices in relation to livestock prices, the producers who specialize in feeding livestock also would be protected considerably against undue increase in livestock production, it is argued.

No farm storage program seems advisable in the fall of 1934 since grain crops are short and prices of feed grains already are relatively high in local areas.

Because of the desirability for building new reserves of hay and forage during the coming year, any corn acreage rental program for 1935 should allow use of contracted acres for hay, pasture, forage, soil improvement or fallow purposes. If the farmers desire, they therefore could have the advantages of corn control with use of the contracted acres for producing hay and pasture, including soy bean, field pea and cow pea hay besides. If planned for hay, oats probably should be permitted as a nurse crop on contracted acres.

Such suggested modifications regarding the use of contracted acres in 1935 would be of particular interest to farmers living in the primary drought areas where reserves of hay and other feeds will be completely used up this winter and spring. Other farmers who produced sufficient feed from their allotted corn acreage this year and from non-contracted acres probably would plan to use the contracted acres next year for growing soil-building and erosion-preventing crops not to be harvested. In this way, they would continue the program of wiser land utilization begun in 1934. No farmers have contended that the contracted acres be utilized in any case for production of basic crops.

Briefly, then farmers we thus far have contacted have urged the advisability of presenting for general consideration of producers a tentative program for 1935 that would (1) provide for some kind of a corn acreage control plan; (2) maintain corn acreage on farms under contract at about 80 percent of the 1932-33 average; (3) make the contracted acres available for

utilization as pasture or hay; (4) provide for raising a part of the funds necessary for financing the program from moderate processing taxes on hogs, in view of the close relationship between hog production and feed grain production; (5) possibly not in 1935 undertake control of the production of livestock, partly because excess numbers have already been eliminated, and partly because control of feed grains henceforth should satisfactorily control livestock numbers, particularly hogs; and (6) set up a farm storage plan to encourage farmers to put into storage any corn produced in 1935 over actual requirements and to help accommodate individual producers in a financial way who wish to offer their corn as collateral for a Government loan.

Although the immediate problem of grain and livestock producers in the United States is to decide on a program for 1935, farm leaders have urged that it also is desirable to begin laying the foundation for a unified grain program in 1936. The continuation of the original wheat contract and a corn control program will tide farmers through 1935, but undoubtedly it is time to begin shifting emphasis from piece-meal programs for raising prices of individual commodities through removal of surpluses to a general program of developing better systems of farming through less intensive use of land, conservation of soil resources and using the land for production of those crops for which it is best adapted. We need to develop and have as our goal a comprehensive plan for agriculture as a whole.

Such a plan would not be rigid and fixed, but would be flexible enough to meet changes in international and industrial conditions as they arise. It also would provide for as much flexibility and freedom of action on the part of individual farmers as is consistent with a proper balance between farm production and the demand therefor. It is not possible, at this stage

of the discussion, to make specific suggestions for a program in 1936, except that it probably ought to include the six grains of corn, wheat, flax, rye, barley and grain sorghums, because they are basic commodities and so named in the Act.

These are the suggestions that have come thus far in the limited opportunity that has been afforded up to this time for sounding out the opinion of the farmers.

There are submitted in the most definite form to which they now can be reduced, because it is essential to arouse the greatest possible degree of discussion among farmers in the forthcoming weeks.

In order to stimulate this discussion so as to get the benefits of all possible suggestions from farmers, these suggestions are offered, because of course any worthwhile discussion to be of value must have a starting point and a basis.

The suggestions are made as definite as possible for the purpose of discussion, but, of course, are subject to any modifications favored by farmers. They are open to any revision whatever which is brought out as the result of these meetings, and which it seems farmers are agreed upon.

It is hoped, of course, that this series of conferences will crystallize the thinking of farmers to such an extent that definite propositions can be submitted to them very soon, for an individual expression of opinion by the corn-hog contract signers.

Supplementary Note:

While the foregoing discussion suggests that a corn acreage control program, involving rental payments and eligibility to a corn loan storage plan, will be sufficient to maintain livestock production, particularly hogs, as well as grain production at about the right level in 1935, certain legal limitations, imposed by the terms of the Agricultural Adjustment Act, may necessitate the distribution of a part of any funds derived by hog processing taxes in the form of hog payments.

In event it finally is ruled that such joint payments are necessary and if it is the desire of producers only to impose control provisions over corn acreage in 1935, hog benefit payments would be considerably smaller than under the 1934 corn-hog contract and the provisions pertaining to the contract signers' production of hogs for market would provide more flexibility.

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